



STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR

January 29, 2010

To ~~Members~~ of the Mississippi Legislature:

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Revenue collections for the month of January fell drastically below our expectations. I am concerned that, if the rate of revenue loss continues at this increased pace, I will be forced to further reduce spending ~~for the current fiscal year beyond the \$437 million in cuts I have already made.~~

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Preliminary reports for January show tax collections missing the mark by \$xxx million, which is xxxx percent below our estimate. This is the 17th consecutive month where we have missed our revenue estimate, and the 14th consecutive month we collected less money than the previous year.

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This increased rate of revenue decline will bring our expected shortfall for the current fiscal year well above \$500? million. Unfortunately, agency budgets, which have taken an 8.2 percent hit so far, will have to be cut again to keep our budget in balance, as the Mississippi Constitution requires.

Reducing state spending with deep and rigid uniform cuts will begin to affect our agencies' ability to offer services. Directors do not have the much-needed flexibility to shift funds from non-essential accounts to account that pay directly for essential public services. Directors also cannot adjust their personnel needs to match the services demanded by their customers. These strained finances prove the necessity of lump-sum budgets and removing bureaucratic constraints of Personnel Board rules. ~~Again, I urge you to~~ act to give agency directors the ability to balance the needs of the public with the resources they are provided.

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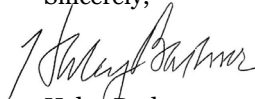
As you know, I am statutorily prohibited from cutting any agency by more than 5 percent until I have cut spending for all agencies by 5 percent. The cuts I am making now impact spending on court-ordered settlements, such as the Ayers settlement, and National Board Certification for teachers. This means agencies, like the Institutions of Higher Learning, effectively take harsher cuts to pay those mandated costs at the expense of other programs.

I reiterate my request to allow the Governor to make cuts up to 10 percent before making across-the-board cuts. This would Governors to avoid harming essential services that cannot bear such deep cuts in tight budget situations. I hope you will ask your colleagues to expand the Governor's authority to 10 percent for all agencies.

As we continue to see revenue drop, do not forget the implications on Fiscal Year 2011. Revenue for Fiscal Year 2010 will be the baseline from which we will build next year's budget. As you begin to consider appropriations for agencies, keep in mind we already were headed into FY 2011 with a \$715 million shortfall. This deficit, coupled with lower revenues, means we have to look closely at how Mississippi government is structured and make real changes. This latest revenue report also reiterates the need to utilize the Rainy Day Fund prudently, spending no more than a third of the balance in the FY 2010 budget, because we know lean financial times lay ahead.

We all have tough decisions to make over the next few months. I am confident we can make government more efficient and affordable for our citizens. And when this global recession is over, Mississippi will lead the recovery.

Sincerely,



Haley Barbour